Instrument and Upper Tier II instruments issued in foreign currency by banks in India are outside the above limits for overseas foreign currency borrowing. Further, under the current External Commercial Borrowing (ECB) guidelines, banks can raise ECB only for financing textile/steel restructuring package approved by the Government of India During the year 2006-07, no such reimbursements have been proposed by banks. As at the end of January, 2007, the total Overseas Borrowings of all banks was USD 12938.82 million. As per market estimates, overseas borrowings in foreign currency are cheaper by 50-75 basis points as compared to local borrowings in foreign currency. Further, as per market sources, a cost differential of 100-150 basis point is available for foreign currency borrowings vis-a-vis rupee borrowings. In some currencies, the market participants find it attractive to raise resources from overseas given the interest rate diferentials as well as expected exchange rate movements.

Increase rate of circulation of money

†1533. SHRI RAM JETHMALANI:
DR. MURLI MANOHAR JOSHI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that due to increased rate of circulation of money in the country, the inflation rate has gone highest than in the previous two years;

(b) if so, the details thereof alongwith the status of circulation of money as on 19th January, 2007 and to what extent it was more than the same in January, 2006; and

(c) the reasons responsible for increase in circulation of money being more in the year 2006-07 than in the year 2005-06.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The growth in broad money (M_3) supply during 2004-05 and 2005-06 was 12.3 per cent and 17.0 per cent, respectively. The year-on-year growth in M_3 as on January 19, 2007 was 21.1 per cent as compared to 15.6 per cent on the corresponding date of the previous year. Point-to-point inflation, as measured by the wholesale

†Original notice of the question was received in Hindi.

price index (WPI: 1993-94=100), stood at 6.11 per cent on January 20, 2007 compared to 4.24 per cent and 5.43 per cent on the corresponding dates of 1005-06 and 2004-05, respectively. The velocity of money (ratio of nominal gross demostic product at current market prices to the average stock of M_3) was 1.47 in 2004-05 and 1.45 in 2005-06.

There is no one-to-one correspondence between expansion of M_3 or circulation of money and rate of inflation. Higher expansion in M_3 is also to be viewed in the context of the overall performance of the economy during the relevant period. The increase in money supply can be attributed to the credit expansion facilitating the growth in real GDP as well as to the flow of foreign exchange reserves.

Manipulation of Stock Exchanges by terrorists

1534. SHRI MANOHAR JOSHI:
SHRI SYED AZEEZ PASHA:
SHRI K.E. ISMAIL:

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the disclosure made by the National Security Advisor, Mr. M. K. Narayanan that there are isolated instances of terrorists outfits manipulating the stock exchanges in Mumbai and Chennai through fictitious or notional companies;

(b) if so, the details thereof and Government's reaction thereto; and

(c) whether the recent high volatility in stock exchanges has been attributed to such manipulations by terrorists companies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Information is being collected and shall be placed on the Table of the House.

Revival of co-operative credit institutions in Orissa

1535. SHRI B.J. PANDA:
MS. PRAMILA BOHIDAR:

Will the Minister of FINANCE be pleased to state: